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Court Rejects Former Effingham Businessman's Argument for Imposing Lower Sentence

Urbana, IL - Rodger A. Heaton, United States Attorney for the Central District of Illinois, announced today that the U.S. District Court rejected the argument by Paul E. Palmer, also known as Gene Palmer, that his sentence should be less than that imposed in May, 2003. In a new sentencing hearing, Chief Judge Michael P. McCuskey again ordered that Palmer serve 108 months in prison, despite his arguments for a lesser sentence, for conspiracy to commit tax fraud.

Palmer, age 42, was convicted on May 29, 2002, following an eight-day trial for conspiring, from March 1993 to April 1998, to defraud the Internal Revenue Service and aiding the filing of false and fraudulent tax returns. Palmer has served approximately five years of the original 108 month (nine years) sentence originally imposed.

Due to a change in federal sentencing statutes, the district court held a new sentencing hearing and allowed both Palmer and the U.S. Attorney's Office to present evidence and argue all issues relevant to sentencing. The Court allowed Palmer to argue that the original sentence was overly harsh; the court reviewed arguments previously made and new arguments with respect to the determination of appropriate sentence. The court ultimately rejected Palmer's arguments and reimposed a 108 month sentence. At sentencing, Judge McCuskey noted that Palmer had never accepted responsibility for his criminal conduct.

Palmer was further ordered to pay a fine of $15,000, a lesser amount than had previously been imposed, and to pay restitution to the IRS in the amount of $1,142,769.

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Palmer was convicted of conspiring with Dwight D. Larson, a/k/a Dennis Larson, formerly of Charleston, Illinois, to defraud the IRS, by obstructing the computation, assessment and collection of individual income taxes. Larson pled guilty on January 8, 2002, and was sentenced on July 9, 2002, to serve 55 months in the Bureau of Prisons.

Palmer was convicted of selling entities which he called "trusts," which were used to shelter income from the IRS. These "trusts" were an elaborate scheme to make it appear that taxable income was transferred to entities other than Palmer's clients. In the two types of schemes offered by Palmer, the clients took deductions for false services which were purportedly performed by the "trusts" on their business and individual income tax returns, or the clients reported false distributions to entities purportedly existing outside the United States, according to evidence presented at trial and sentencing.

Evidence at trial demonstrated that clients paid Palmer from $4,200 to $46,000 to participate in the trust systems. Palmer set up bank accounts in towns outside the county where the client normally did business, used false tax identification numbers on the bank account records, and supplied only a post office box as an address on the bank signature card. Palmer also arranged for bank accounts to be opened in Antigua.

Palmer was also convicted of six counts of aiding and abetting the filing of false income tax returns. Witnesses testified at trial that the income reported on their tax returns would have been higher for each of the years charged but for the deductions and distributions claimed when money was transferred to "trust" bank accounts. An IRS revenue agent explained that he saw no economic substance in any of the transfers which purportedly occurred among the clients and the "trusts."

The case was investigated by the Criminal Investigation Division of the Internal Revenue Service. The case was tried by Assistant United States Attorney Hilary W. Frooman with assistance from the United States Department of Justice, Tax Division.

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